MBIA Insurance Corporation Comments on Recommendations of the Subcommittee on Ring Fencing

At its April 23, 2004, meeting the Governor's Consumer Energy Protection Task Force ("Task Force") will address a set of recommendations for legislation prepared for the Task Force's Subcommittee on Ring Fencing ("Subcommittee"). This memorandum is intended to provide the comments of MBIA Insurance Corporation ("MBIA") on those recommendations. As you know, MBIA insures a portion of the bonds of NorthWestern Energy Corporation. MBIA would like to express its appreciation for being allowed the opportunity to provide the Task Force with its perspective relating to this important subject.

Recent events, both nationally and in Montana, have created a need for legislatures and regulators to establish clear guidelines to protect ratepayers and investors from the speculative activities of unregulated affiliates of public utilities. Existing laws have not been able to prevent the impairment of utility credit by non-utility business activities.

MBIA believes the Subcommittee has accurately identified six areas ripe for legislative attention. Each recommendation focuses on a specific corporate activity that can jeopardize a utility's financially integrity. MBIA's concern, however, is that the authority delegated to the MPSC would increase the Commission's responsibility to a level which might prove unmanageable, at least in the short term. MBIA has previously suggested using a "trigger" approach to MPSC action. If the triggers are set at an appropriate level, MBIA believes timely regulatory action can be taken.

MBIA's second concern is that the proposals sustain structural loopholes to regulation. In MBIA's experience, public utilities that are divisions of holding companies are just as susceptible to credit deterioration because of abusive affiliate activities as those that are affiliates of holding companies.

Again, MBIA appreciates the opportunity to have been able to offer its comments and stands ready to answer any questions.

EXHIBIT

5